

Message Text

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21

ACTION ARA-10

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FM AMEMBASSY BOGOTA

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AMCONSUL MEDELLIN

C O N F I D E N T I A L BOGOTA 10435

E.O. 11652: GDS

TAGS: EINV, CO

SUBJECT: PRESSURE INCREASING ON FOREIGN ACCOUNTING FIRMS

RE BOGOTA A-185, ITEM 8

SUMMARY: PRESSURES ON INTERNATIONAL (MAINLY US) ACCOUNTING FIRMS TO COLOMBIANIZE HAVE BEEN BUILDING UP FOR SOME TIME. SENATE COMMISSION CURRENTLY IS HOLDING HEARINGS ON PROJECT BILL WHICH, IF PASSED IN PRESENT FORM, WOULD SEVERELY RESTRICT ABILITY OF INTERNATIONAL ACCOUNTING FIRMS TO OPERATE HERE. PRESSURE INTENSIFIED LAST WEEK WHEN ASSISTANT SECRETARY FOREIGN RELATIONS IN EFFECT ACCUSED FIRMS OF ECONOMIC ESPIONAGE AND FALSIFICATION OF TAX RETURNS. END SUMMARY.

1) THE PRESSURE ON THE INTERNATIONAL ACCOUNTING FIRMS (MAINLY US) TO COLOMBIANIZE INTENSIFIED LAST WEEK WITH THE APPEARANCE BEFORE THE SENATE COMMISSION CONDUCTING HEARINGS ON THE SUBJECT OF ROBERTO SOTO, ASSISTANT SECRETARY OF FOREIGN RELATIONS FOR ECONOMIC AFFAIRS. SOTO, WHO CLAIMED TO BE SPEAKING IN REPRESENTATION OF THE MINISTER, IMPLIED THE FIRMS MIGHT ENGAGE IN ECONOMIC ESPIONAGE AND SAID THEY ASSISTED IN THE EVASION OF COLOMBIAN TAXES. WHEN PRESSED BY ONE SENATOR TO RPRESENT PROOF IN SUPPORT OF HIS ACCUSATIONS (TAX FALSIFICATION IS A FELONY IN COLOMBIA),
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SOTO RETREATED SOMEWHAT BY CLAIMING THAT SUBMISSION OF

PROOF WAS BEYOND THE COMPETENCE OF THE FOREIGN MINISTRY AND SHOULD MOST APPROPRIATELY BE HANDLED BY OTHER GOC AGENCIES. HE SAID HIS INFORMATION ON TAX EVASION HAD BEEN OBTAINED FROM THE NATIONAL TAX OFFICE. DAMAGE HAD BEEN DONE, HOWEVER, AND SOTO CONCLUDED TESTIMONY BY SUGGESTING THAT EVEN MORE RESTRICTIVE LAW BE PASSED.

2) VICE MINISTER OF EDUCATION PRESENTED SIMILAR TESTIMONY EARLIER THIS MONTH. ACCORDING TO ACCOUNTING FIRM REPRESENTETIVES HOWEVER MINISTER OF EDUCATION HAS DISAVOWED HIS SUBORDINATES TESTIMONY IN A LETTER TO APPROPRIATE SENATORS.

3) PROJECT LAW UNDER DISCUSSION IS ENTITLED "SENATE BILL NO 149 OF 1972 TO BE ADDED TO LAW NO 145 OF 1960 ON REGULATING THE PROFESSION OF PUBLIC ACCOUNTING", AND IS SPONSORED BY LEFTIST UNO SENATOR HERNANDO ECHEVERRY MEJIA. IF ADPOTED IN ITS PRESENT FORM (SIMILAR BILL PASSED THE HOUSE IN 1972) BILL NO 149 WOULD REQUIRE.

A) THAT NO PERSON BE A STATUTORY AUDITOR FOR MORE THAN FIVE COMPANIES, THAT ALL STATUTORY AUDITORS BE NATURAL BORN COLOMBIAN CITIZENS, AND THAT THE STATUTORY AUDITOR NOT BE ASSOCIATED WITH A FIRM FURNISHING OTHER TYPES OF SERVICES TO THE COMPANY HE IS AUDITING.

B) THAT A MINIMUM OF 51 PERCENT OF THE SUBSCRIBED CAPITAL OF PUBLIC ACCOUNTING FIRMS BELONG TO COLOMBIANS AND THAT THERE BE THREE COLOMBIAN PARTNERS FOR EACH FOREIGN PARTNER IN A FIRM.

C) THAT A FIRM HAVE FIVE COLOMBIAN BORN EMPLOYEES UNDER EEQUAL CONDITIONS OF REMUNERATION AND FUNCTIONS FOR EACH FOREIGN EMPLOYEE.

D) THAT AUDITS OF ANY COLOMBIAN ORGANIZATION, INCLUDING ANY CORPORATION IN WHICH A COLOMBIAN HAS ANY CAPITAL INVESTED, CAN BE PERFORMED ONLY BY COLOMBIAN PUBLIC ACCOUNTANTS OR BY NATIONAL PUBLIC ACCOUNTING FIRMS.

4) ACCOUNTING FIRMS HAVE RETAINED PROMINENT LOCAL LAWYER JAMES RAISBECK AS CONSULTANT. RAISBECK BELIEVES MOST PROVISIONS OF PROJECT LAW NO 149 ARE UNCONSTITUTIONAL AND HAS PROVIDEED SENTATE COMMISSION WITH WRITTEN OPINION TO THIS EFFECT. ACCOUNTING FIRMS ARE NEVERTHELESS OF OPINION THAT SOME TYPE OF RESTRICTIVE LEGISLATION WILL EVENTUALLY BE PASSED IN A FORM THAT SUPREME COURT WILL FIND ACCEPTABLE. WHAT FIRMS APPEAR TO BE LOOKING CONFIDENTIAL

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FOR IS LEGISLATION WHICH A) WILL ALLOW THEM TIME TO RAISE COLOMBIANS TO MANAGER/PARTNERSHIP LEVEL B) PRESERVE RIGHTS OF AMERICAN PARTNERS WHO HAVE BEEN HERE MANY YEARS (UP TO 20 YEARS IN SOME CASES) AND C) PERMIT FIRMS TO RETAIN AT LEAST ONE FOREIGN "CONSULTANT", TO WORK ESPECIALLY WITH US COMPANIES THAT MUST MEET USG REPORTING REGULATIONS.

5) ACCOUNTING FIRMS HAVE KEPT EMBASSY INFORMED OF DEVELOP

MENTS. AT THEREQUEST, WE PROVIDED FORIEGN MINISTER
LIEVANO INFORMAL REPORT ON ACCOUNTING PRACTICES IN THE
US.

6) COPIES PERTINENT DOCUMENTS BEING POUCHED ARA/LA/NC.
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